

## DOCUMENT RESUME

ED 174 238

IR 007 514

AUTHOR Morris, Leslie R.  
TITLE A Comparison of Cost Factors Used by OCLC Service Centers.  
PUB DATE 79  
NOTE 16p.; Some tables may not reproduce because of smaller type size and light typeface  
EDRS PRICE MF01/PC01 Plus Postage.  
DESCRIPTORS \*Academic Libraries; \*Cataloging; Cost Indexes; \*Costs; Economic Factors; Library Research; Marketing; \*On Line Systems

## ABSTRACT

Data were gathered on the costs charged by various service centers which contract Ohio College Library Center (OCLC) services to individual libraries, and charges were compared at the levels of 3,000, 10,000, and 20,000 FTUs per year. (An FTU is the first time a library uses a cataloging record to catalog a title in its collection.) It was concluded that OCLC contracting service centers charge various rates according to the volume of FTUs used, with low volume users generally charged more per FTU than high volume users. Although FTU costs generally decreased from 1977/78 to 1978/79, some users had their prices increased. A sample questionnaire is appended. (Author/CMV)

\*\*\*\*\*  
\* Reproductions supplied by EDRS are the best that can be made \*  
\* from the original document. \*  
\*\*\*\*\*

THIS DOCUMENT HAS BEEN REPRODUCED EXACTLY AS RECEIVED FROM THE PERSON OR ORGANIZATION ORIGINATING IT. POINTS OF VIEW OR OPINIONS STATED DO NOT NECESSARILY REPRESENT OFFICIAL NATIONAL INSTITUTE OF EDUCATION POSITION OR POLICY

## A COMPARISON OF COST FACTORS USED BY OCLC SERVICE CENTERS

BY Leslie R. Morris

Data was gathered on the costs charged by various OCLC Service Centers. Charges are compared at 3,000, 10,000, and 20,000 FTUs per year. An FTU is the first time a library uses a cataloging record to catalog a title in its collection. It is concluded that OCLC Service Centers charge various rates according to the volume of FTUs used. Low volume users are generally charged more per FTU than high volume users. Although FTU costs have generally decreased from 1977/8 to 1978/9, some users have had their prices rise.

"PERMISSION TO REPRODUCE THIS MATERIAL HAS BEEN GRANTED BY

Leslie R. Morris

TO THE EDUCATIONAL RESOURCES  
INFORMATION CENTER (ERIC) AND  
USERS OF THE ERIC SYSTEM."

-8007514

## A COMPARISON OF COST FACTORS USED BY FIVE OCLC SERVICE CENTERS

With the exception of the State of Ohio, the Ohio College Library Center (OCLC) services are contracted to individual libraries by Service Centers. Some of these Service Centers are large multi-state groups like the New England Library Network (NELINET) which services all of New England or AMIGOS which services Arizona, New Mexico, Texas, Arkansas, and Oklahoma. Some Service Centers cover only one state, for example, State University of New York (SUNY) services almost all of New York.

Each Service Center has developed its own pricing policy for OCLC services. Each one is, in essence, a retailer of its wholesaler, OCLC. Some Service Centers, particularly single state units, receive funds from sources outside the participating libraries, such as state and federal grants, that the Service Center can use to offset OCLC charges.

Depending on the Service Center's distance from the OCLC headquarters in Columbus, Ohio, more revenue must be derived from members to offset phone charges. All other conditions being equal, BCR in Denver must charge more than PALINET in Philadelphia.

The pricing policies of the 21 OCLC Service Centers, including OCLC itself, for fiscal years 1977 and 1978, were requested. the

Mr. Morris is Director of the Xavier University of Louisiana Library

questionnaire used was designed to gather information relative to fixed and variable fees. A sample questionnaire is included (See fig. 1). Of the 21 centers contacted, 18 responded with data of varying types. We realized that because of various factors, mainly, lack of uniformity, several of the centers would have to be eliminated from the survey. The data obtained from one large network was also removed because the information obtained was incomplete and could not be verified. We, thus, decided to confine our survey and analysis to four multi-state networks which represent a large portion of the users in the United States and one single state Service Center which is self-supporting.

All Service Centers and OCLC use the First Time Use (FTU) as their basic pricing mechanism. An FTU is the first time a library uses a cataloging record to catalog a title in its collection. Table I is a comparison of the effect of the pricing policies on libraries cataloging 3,000, 10,000 or 20,000 FTUs per year.

Center A is an example of a Center having a low FTU charge but high fixed costs for maintenance, modem, telephone line charges, and dues. Center A has lowered its unit costs at all levels from 1977-1978 to 1978/9. Its unit costs for the 3,000 FTU user have dropped from \$3.15 to \$2.91, a 8% decrease, but are still higher than any other service center's costs for 3,000 FTU. Center A's unit costs for 20,000 FTU are among the lowest of any service center. High fixed cost have a built in bias against the low volume user. Con-

sidering the spread between the FTU cost for the 3,000 FTU user and the 20,000 FTU user, Center A's cost are still higher than average.

Center B has completely changed its pricing structure from 1977/8 to 1978/9. In 1977/8, Center B had no fixed costs and therefore had a flat figure for FTU costs for all levels of users. The 3,000 FTU users paid exactly the same price per FTU as the 20,000 FTU user in 1977/8. In 1978/9, Center B instituted considerably increased fixed costs, therefore creating a situation similar to center A, where the 3,000 FTU user pays more per FTU than the 20,000 FTU user. Although unit costs throughout OCLC tend to be down, from 1977/8 to 1978/9, the percentage figure actually rose 2% for the 3,000 FTU user in Center B. The 20,000 FTU user in Center B was offered a 19% decrease in his FTU costs. A considerable saving for large libraries. Center B is difficult to assess because in 1977/8, although its invoiced FTU price was \$1.80, it gave a rebate of 15¢ per FTU at the end of the year. It hopes to offer a similar rebate for 1978/9.

Center C has also changed its pricing policy. It has gone from a high FTU charge to a low FTU charge, but initiated \$2,696 of fixed fees. This has caused a enormous amount of reshuffling of prices charged to its various levels of users. The 3,000 FTU user has suffered a 13% increase in his unit costs, but the 20,000 FTU user has been afforded an 18% decrease in his FTU costs. I am afraid that I cannot understand how the users of Center C have allowed such a serious change in the pricing policy. It is obvious that the high volume users out muscled the low volume users. To

raise a library's FTU costs for cataloging from \$2.32 to \$2.61 in one year, is a very serious change. A very sharp academic dean might wonder about the quality of the director of the library who offered such an increase in costs. On the other hand, the large volume user can proudly report to his academic dean that unit costs were down 18%, proving how smart he was in installing OCLC.

Center D was one of the few centers that offered a substantial decrease in FTU costs across the board. The 3,000 FTU user decreased his FTU costs 6%, the 10,000 FTU user and the 20,000 FTU user decreased their costs 5%. Center D has obviously done a very good job in holding down costs across the board.

Center E offers the lowest FTU charge, but Center E has very high fixed charges. Although Center E has lowered its charges to all users 1% in a year of galloping inflation, its charges for 3,000 FTU users are somewhat high and its charges to 20,000 FTU users are quite low.

As you can see from the preceeding analysis of table one, the unit costs vary considerably. 20,000 or 3,000 FTU users charges vary from center to center.

Table II is a rank order summary of Table I. Center A, in 1977/8 had the highest FTU cost for the 3,000 FTU user and in 1978/9, although it has lowered its FTU charge, is still the highest.

The average charge for 3,000 FTU user has been reduced from \$2.47 to \$2.45.

For the 10,000 FTU user, center C was the highest for 1977/8 and Center D for 1978/9. Center E is the lowest for the 10,000 FTU user and it is even lower this year than it was the year before. The average price for all centers using 10,000 FTU was 40¢ per FTU cheaper in 1977/8 than the 3,000 FTU user. In 1978/9 the difference has widened to 55¢.

For the 20,000 FTU user, the relative range has stayed the same. The relative range is somewhat lower this year but the average FTU charge has dropped 20¢. 20¢ may not seem like a big drop, but multiplied by 20,000 FTUs it is \$4,000 per year.

Since the latest round of Kellogg grants, a large number of small academic libraries have had an opportunity to join OCLC. Many of these libraries are concerned about joining OCLC because of uncertain financial futures. The small academic libraries are concerned with the cost that will be required to keep their terminal "on" even if no titles are cataloged. Table III outlines this problem.

A comparison of table 3 in 1977/8, to 1978/9 shows considerable changes in many fixed charges for all the centers, except for Center E.

Long range planning is almost impossible when as important a budget item as your FTU costs varies at the whim of the executive directors of the OCLC Service Centers.

Great difficulty arises when deciding which kind of a pricing policy is appropriate. Small libraries would probably favor Center C, D, or E which have relatively "flat" pricing policies. An FTU is an FTU whether you catalog 3,000 titles per year or 20,000 titles per year. In the case of a large library, Center B or Center A would probably be more appealing.

There is a disadvantage to a "flat" pricing policy. Libraries can add terminals for only capital funds and not care about system usage. A fixed charge per terminal slows the demand for new terminals. If a library is cataloging 4,000 FTU s per year, adding a second terminal in Center C only costs \$4,200 for the purchase of the terminal, with no additional costs. In Center B a second terminal would also cost \$4,200, but would have, in addition, an annual charge of \$4,124 per year. The pricing schedule of Center B would tend to retard the proliferation of little-used terminals and to promote the maximum efficiency of all terminals on-line. The pricing



schedule of Center C, however, would encourage the proliferation of additional terminals.

It is possible that 20,000 FTU's could not be processed through a single terminal, but the problem of multiple terminals is outside the scope of this study. The purpose, rather, is to report that not all Service Centers are priced the same, and that in locations where there is a choice of Service Centers, each library must take a hard look at the pricing structures of the various centers, and decide which center is the most appropriate for its specific needs. Based upon services offered, training facilities, and price, two libraries in the same area may choose different Service Centers according to the volume of FTU's they expect to use.

Any research creates more questions than it answers. Some of the obvious questions that arise from this study are: 1.) How do multiple terminals effect selection of a Service Center? 2.) Are some Service Centers "better" than others? 3.) Why are the charges different in each Service Center? 4.) In an effort to create a degree of uniformity among pricing structures, should OCLC set up a system of its own regional Service Centers?

It is each OCLC member's duty to inspect the pricing policy of his respective Service and decide how it should be structured. Fighting for the kind of policy that is fairest is the over-riding guide.

	CENTER A SOLINET		CENTER B AMIGOS		CENTER C BCR		CENTER D OCLC WEST		CENTER E SUNY	
	1977	1978	1977	1978	1977	1978	1977	1978	1977	1978
FTU CHARGE	\$1.48	\$1.43	\$1.80	\$1.35	\$2.02	\$1.50	\$1.93	\$1.84	\$1.13	\$1.13
MAINTENANCE	\$469	\$396	*	\$1,488	*	\$396	\$469	\$396	\$396	\$372
MODEM (DATA SET)	\$1,040	\$1,015	*		*	\$2,100	*	*	\$1,932	\$1,932
TELEPHONE LINE CHARGES	\$2,640	\$2,220	*		*		*	*		
ANNUAL DUES	\$150	\$150	0	0	\$200	\$200	0	0	\$1,140	\$1,140
SINGLE CATALOG CARD	\$0.039	\$0.036	\$0.039	\$0.036	\$0.039	\$0.036	\$0.039	\$0.036	\$0.039	\$0.036
TOTAL 3,000 FTU COST 1	\$9,441	\$8,719	\$6,102	\$6,186	\$6,962	\$7,844	\$6,961	\$6,564	\$7,560	\$7,482
COST PER FTU	\$3.15	\$2.91	\$2.03	\$2.06	\$2.32	\$2.61	\$2.32	\$2.19	\$2.52	\$2.49
PERCENT CHANGE		-8%		+2%		+13%		-6%		-1%
TOTAL 10,000 FTU COST 2	\$21,439	\$20,241	\$20,340	\$17,148	\$22,740	\$19,856	\$22,109	\$20,956	\$17,108	\$16,904
COST PER FTU	\$2.14	\$2.02	\$2.03	\$1.72	\$2.27	\$1.99	\$2.21	\$2.10	\$1.71	\$1.69
PERCENT CHANGE		-6%		-15%		-12%		-5%		-1%
TOTAL 20,000 FTU COST 3	\$38,579	\$36,701	\$40,680	\$32,808	\$45,280	\$37,016	\$43,749	\$41,516	\$30,748	\$30,364
COST PER FTU	\$1.93	\$1.84	\$2.03	\$1.64	\$2.26	\$1.85	\$2.19	\$2.08	\$1.54	\$1.52
PERCENT CHANGE		-5%		-19%		-18%		-5%		-1%

1. TOTAL COST FOR 3,000 FTU INCLUDING 18,000 CATALOG CARDS

2. TOTAL COST FOR 10,000 FTU INCLUDING 60,000 CATALOG CARDS

3. TOTAL COST FOR 20,000 FTU INCLUDING 120,000 CATALOG  
\* INCLUDED IN THE FTU CHARGE

TABLE II

<u>3,000 FTU</u>		<u>10,000 FTU</u>		<u>20,000 FTU</u>	
<u>FY 1977/8</u>	<u>FY 1978/9</u>	<u>FY 1977/8</u>	<u>FY 1978/9</u>	<u>FY 1977/8</u>	<u>FY 1978/9</u>
Center A \$3.15	Center A \$2.91	Center C \$2.27	Center D \$2.10	Center C \$2.26	Center D \$2.08
Center E \$2.52	Center C \$2.61	Center D \$2.21	Center A \$2.02	Center D \$2.19	Center C \$1.85
Center D \$2.32	Center E \$2.49	Center A \$2.14	Center C \$1.99	Center B \$2.03	Center A \$1.84
Center C \$2.32	Center D \$2.19	Center B \$2.03	Center B \$1.72	Center A \$1.93	Center B \$1.64
Center B \$2.03	Center B \$2.06	Center E \$1.71	Center E \$1.69	Center E \$1.54	Center E \$1.52
Average \$2.47	Average \$2.45	Average \$2.07	Average \$1.90	Average \$1.99	Average \$1.79

TABLE III

Annual Fixed Charges (includes dues, telephone, modem, and maintenance, but no FTUs or catalog cards)

FY 1977/8

Center B \$4,274

Center C \$3,500 (No fixed charges, but a member must pay for a minimum of 2,100 FTU)

Center A \$3,541

Center D \$578

Center E \$469

FY 1978/9

Center B \$3,721

Center A \$3,480

Center D \$2,792

Center C \$1,488

Center E \$396

# APPENDIX A

Service Center	Number of States	Number of Institutions	Number of Institutions Out of primary area
A	10.	197	0
B	5	123	2
C	7	102	1
D	2	67	0
E	1	151	1

# QUESTIONNAIRE

	INITIAL FEE*	ANNUAL FEE*
PURCHASE PRICE FOR TERMINAL		
INITIATION FEE		
ANNUAL MEMBERSHIP FEE		
INSTALLATION COST		
FTU CHARGE		
MINIMUM BASE CHARGE IF NO FTU'S ARE USED		
TERMINAL MAINTENANCE		
MODEM LEASE		
TELEPHONE LINE CHARGE		
PRICE OF SINGLE CATALOG CARD		

Do you receive outside support from any agency?  
explain, i.e., state, etc.

If yes, please

What area does your membership cover?

Does your network include any members from outside your area?  
how many?

If yes,

How many institutions subscribe to your network?

How many terminals are included in your network?

Additional comments